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State of Idaho

Legislative Services Office

## Management Report

A communication to the Joint Finance-Appropriations Committee

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# STATEMENT OF FEDERAL LAND PAYMENTS UNDER THE PAYMENTS IN LIEU OF TAXES (PILT) ACT

OCTOBER 1, 2013 – SEPTEMBER 30, 2014

**Report SP86014**  
**Date Issued: April 9, 2015**

*Serving Idaho's Citizen Legislature*



April Renfro, Manager

Idaho Legislative Services Office  
Legislative Audits Division

## STATEMENT OF FEDERAL LAND PAYMENTS (PILT)

### SUMMARY

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#### **PURPOSE OF MANAGEMENT REVIEW**

We performed certain limited procedures to compile the data in the accompanying Statement of Federal Land Payments. The intent of these procedures was not to express an opinion, but to provide information on the distribution of federal land payments by the State of Idaho to local units of government as requested by the U.S. Department of the Interior.

#### **CONCLUSION**

We did not identify any errors or recommend any adjustments to the amounts distributed by the State of Idaho to local units of government.

#### **FINDINGS AND RECOMMENDATIONS**

There are no findings and recommendations in this report or in the prior report.

#### **AGENCY RESPONSE**

There were no comments from State officials.

#### **OTHER INFORMATION**

This report is intended solely for the information and use of the State of Idaho and the U.S. Department of the Interior and is not intended to be used by anyone other than these specified parties.

#### **ASSIGNED STAFF**

Jim Combo, CPA, CGFM, Managing Auditor  
Kirsten Pruett, CPA, Staff Auditor

# TABLE OF CONTENTS

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Auditor's Letter .....	1
State Comments .....	2
Exhibit I	
Statement of Federal Land Payments .....	3
Notes to Exhibit I.....	4
Exhibit II	
Idaho Code § 33-902 - Public School Permanent Endowment Fund .....	6
Idaho Code § 33-902A - Public School Earnings Reserve Fund.....	6
Idaho Code § 33-903 - Public School Income Fund.....	7
Idaho Code § 57-1201 - Distribution of Funds to Counties by the State Treasurer .....	7
Idaho Code § 57-1202 - Deposit of Funds with County Treasurer - Grazing District Treasurer - Warrants Against Fund.....	8
Idaho Code § 57-1301 - Apportionment of Forest Reserve Funds .....	8
Idaho Code § 57-1303 - County Apportionment of Forest Reserve Funds .....	8
Idaho Code § 57-1306 - Impact Funds .....	9
Idaho Code § 57-1307 - Distribution of Revenues .....	9



# Legislative Services Office

## Idaho State Legislature

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Eric Milstead  
Director

*Serving Idaho's Citizen Legislature*

April 9, 2015

Honorable C.L. "Butch" Otter  
Governor of the State of Idaho  
Statehouse Mail

Ryan Brown, PILT Program Manager  
Department of the Interior  
Office of Budget  
1849 C Street, N.W. MS-4116  
Washington, DC 20240

Dear Governor Otter and Mr. Brown:

In compliance with Chapter 69, Title 31 U.S. Code, commonly referred to as the Payments in Lieu of Taxes (PILT) Act, we are furnishing the requested information regarding the distribution of federal land payments by the State of Idaho to local units of government.

The intent of this report is not to express an opinion, but to provide information on the amounts distributed to local units of government as requested by the U.S. Department of the Interior.

We did not identify any errors or recommend any adjustments to the amounts that were distributed by the State of Idaho to local units of government for the period of October 1, 2013, through September 30, 2014.

Should you have any questions regarding the provided information, please contact me.

Sincerely,

A handwritten signature in black ink that reads "April Renfro".

April Renfro, CPA, Manager  
Legislative Audits Division

Mike Nugent, Manager  
Research & Legislation

Cathy Holland-Smith, Manager  
Budget & Policy Analysis

April Renfro, Manager  
Legislative Audits

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## STATE COMMENTS

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There were no comments from State officials.

# EXHIBIT I\*

**STATE OF IDAHO  
STATEMENT OF FEDERAL LAND PAYMENTS  
FEDERAL AGENCY MAKING PAYMENTS AND TYPE OF PAYMENTS  
OCTOBER 1, 2013 THROUGH SEPTEMBER 30, 2014**

County	Number	Note 1 USF/FS FS/MMS Timber & Sec. Schls Title I (Roads part only)	Note 1 USFS Secure Schools Title III	Note 2 USFS Bankhead Jones	Note 3 MMS/BLM Mineral Leasing	Note 4 BLM Taylor Grazing Section 3 Section 15	Note 5 BLM Bankhead Jones	Note 6 BLM Sales of Material	Note 7 FERC Power Sales	Note 2 FW Refuge Revenue Sharing	Total	Recommended Adjust- ments	For Acceptance
Ada	131001001				\$435						\$435		\$435
Adams	131002002	\$505,310	\$42,463								547,773		547,773
Bannock	131003003	62,839			289						63,128		63,128
Bear Lake	131004004	156,549			-113						156,436		156,436
Benewah	131005005	37,140									37,140		37,140
Bingham	131006006				260						260		260
Blaine	131007007	85,806			447						86,253		86,253
Boise	131008008	616,634	72,545		0						689,179		689,179
Bonner	131009009	469,263	47,567		0						516,830		516,830
Bonneville	131010010	262,361	13,228		376						275,966		275,966
Boundary	131011011	865,071			0						865,071		865,071
Butte	131012012	163,513			0						163,513		163,513
Camas	131013013	138,336			60						138,396		138,396
Canyon	131014014				266						266		266
Caribou	131015015	175,926	20,697		498,711						695,334		695,334
Cassia	131016016	16,241			1,715						17,956		17,956
Clark	131017017	109,588			12						109,600		109,600
Clearwater	131018018	522,376	13,371		38						535,785		535,785
Custer	131019019	575,056	153,758		0						728,814		728,814
Elmore	131020020				1,009						1,009		1,009
Franklin	131021021	103,511			0						103,511		103,511
Fremont	131022022	458,015			0						458,015		458,015
Gem	131023023	74,902			89						74,991		74,991
Gooding	131024024				86						86		86
Idaho	131025025	1,430,133	533,955		44						1,964,132		1,964,132
Jefferson	131026026				0						0		0
Jerome	131027027				37						37		37
Kootenai	131028028				2						2		2
Latah	131029029				0						0		0
Lemhi	131030030	1,227,069	109,560		0						1,336,629		1,336,629
Lewis	131031031				0						0		0
Lincoln	131032032				262						262		262
Madison	131033033	66,630	7,839		0						74,469		74,469
Minidoka	131034034				0						0		0
Nez Perce	131035035	2,160			0						2,160		2,160
Oneida	131036036	72,187			180						72,367		72,367
Owyhee	131037037				60						60		60
Payette	131038038				3,671						3,671		3,671
Power	131039039				3						3		3
Shoshone	131040040	1,411,661	172,470		42						1,584,173		1,584,173
Teton	131041041	78,525			0						78,525		78,525
Twin Falls	131042042				150						150		150
Valley	131043043	1,273,941	149,875		0						1,423,816		1,423,816
Washington	131044044	124,859			1,973						126,832		126,832
Total		\$11,085,602	1,337,328	\$0	\$510,103	\$0	\$0	\$0	\$0	\$0	\$12,933,033	\$0	\$12,933,033

\*Some totals may not sum due to rounding.

# NOTES TO EXHIBIT I

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## NOTE 1 – NATIONAL FORESTS

Receipts from national forests in FFY 2014 totaled \$28,312,943 for Title I, Title II, and Title III projects. Receipts for Title I (\$23,866,463) are split 70% (\$16,706,524) to highway districts and 30% (\$7,159,939) to school districts. The receipts to highway districts are further split, in accordance with Idaho Code, Section 57-1303, between county highway districts (\$11,085,602) and independent districts (\$5,623,133). Receipts for Title III were \$1,337,328. Funds for Title II projects (\$3,109,151) are not received by the State Treasurer.

## NOTE 2 – USFS BANKHEAD JONES AND FISH AND WILDLIFE REFUGE REVENUE SHARING

These federal payments are made directly to Idaho's county governments. During FFY 2014, \$3,117 was paid under USFS Bankhead Jones, and \$36 was paid under the Fish and Wildlife Refuge Revenue Sharing. To the best of our knowledge, there is no State law specifying how USFS Bankhead Jones and Fish and Wildlife payments are to be spent by counties.

## NOTE 3 – MINERAL LEASING

The federal payment schedule provided by the U.S. Department of Interior reported \$5,291,940 in mineral lease funds and \$76,692 in geothermal energy funds. The State Treasurer's Office reported receipts of \$5,291,940 in mineral leasing, \$76,692 in geothermal energy funds, plus an additional \$89 in National Forest funds and \$46 in late interest which totals \$5,368,767. The Office of National Resources Revenue sequestered \$268,492 resulting in a net receipt of \$5,100,275.

Pursuant to Idaho Code, Section 57-1306, 90% of mineral lease receipts are distributed to the Public School Income Fund, and 90% of geothermal energy receipts are distributed to the Renewable Energy Resources Fund. The other 10% of both mineral lease receipts and geothermal energy receipts is distributed to the general fund of the counties where the revenue was generated. The following reconciliation shows the distribution for FFY 2014:

Mineral Lease Payment per Federal Schedule and State Treasurer Documents	\$ 5,291,940
Geothermal Payments per Federal Schedule and State Treasurer Documents	76,692
Add: National Forest	89
Interest Earned	46
Total Received by Treasurer in FFY 14	5,368,767
Less: Sequestered Funds	(268,492)
Total Distributed in FFY 14	<u>\$ 5,100,275</u>
10% For Counties	510,014
Add: National Forest	89
Total Counties	<u>510,103</u>
90% for Public Schools	4,521,103
Add: Interest not Subject to 90% Split	46
Total Public Schools	<u>4,521,149</u>
90% of Geothermal for Energy Resources	69,023
Total Energy Resources	<u>69,023</u>
Total Distributions for FFY 14	<u>\$ 5,100,275</u>

**NOTE 4 – TAYLOR GRAZING, SECTIONS 3 AND 15**

This money is deposited by the State Treasurer's Office and then transmitted to the counties for deposit to the grazing districts, pursuant to Idaho Code, Section 57-1201. According to the U.S. Comptroller General's opinion, the grazing districts are single-purpose districts; therefore, the funds are not reported in Exhibit I of this report. The total amount transmitted to the county grazing districts in FFY 2014 was \$161,495.

**NOTE 5 – BUREAU OF LAND MANAGEMENT BANKHEAD JONES**

The State does not receive payments under this law.

**NOTE 6 – BUREAU OF LAND MANAGEMENT SALE OF MATERIALS**

This money is deposited to the State Public School Endowment Fund, pursuant to Idaho Code, Section 33-902. The amount received in FFY 2014 was \$2,350.

**NOTE 7 – FEDERAL ENERGY REGULATORY COMMISSION (FERC) POWER SALES**

This money is deposited by the State Treasurer's Office in the State's General Fund. No specific State or federal statutes govern the disposition of these funds. FERC power sale funds received for FFY 2014 totaled \$123,901.

This amount agrees to that shown on enclosure 2 of the Payment in Lieu of Taxes package, entitled "Prior Year Payments Received by State and Local Governments During the Period October 1, 2013, through September 30, 2014."



## EXHIBIT II

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Following are the Idaho Code statutes related to the receipt and disbursement of federal land payments in the State of Idaho.

### **33-902 – PUBLIC SCHOOL PERMANENT ENDOWMENT FUND**

(1) There is established in the state treasury the public school permanent endowment fund. This fund is perpetually appropriated for the beneficiaries of the endowment. The fund shall be managed and invested by the endowment fund investment board according to law and the policies established by the state board of land commissioners. The fund principal shall forever remain intact. The fund shall be a permanent fund and shall consist of the following:

- (a) Proceeds from the sale of lands granted to the state by the federal government, known as public school endowment lands, and lands granted in lieu of public school endowment school lands;
- (b) Lands, money or other property acquired by gift or grant from any person or corporation or under any law or grant of the federal government for general educational purposes;
- (c) All other grants of lands or money made to the state from the federal government for general educational purposes where no other purpose is indicated in the grant;
- (d) All estates or distributive shares of estates that may escheat to the state;
- (e) All unclaimed shares and dividends of any corporation incorporated under the laws of the state;
- (f) Proceeds of royalties arising from the extraction of minerals on public school land owned by the state;
- (g) Other proceeds and avails as are required by law of the federal government or of the state of Idaho to be made a part of the fund; and
- (h) Moneys allocated from the public school earnings reserve fund.

(2) Public school endowment land sale proceeds may be deposited into the land bank fund established in section 58-133, Idaho Code, to be used to acquire other lands within the state for the benefit of the endowment beneficiaries. If proceeds from the sale of public school endowment lands are not used to acquire other lands in accordance with section 58-133, Idaho Code, the proceeds from the sale shall be deposited into the public school permanent endowment fund along with any earnings on the proceeds.

(3) Earnings from the investment of the public school permanent endowment fund shall be distributed according to the provisions of section 57-723A, Idaho Code.

### **33-902A – PUBLIC SCHOOL EARNINGS RESERVE FUND**

(1) There is established in the state treasury the public school earnings reserve fund. The fund shall be managed and invested by the endowment fund investment board according to law and the policies established by the state board of land commissioners. The public school earnings reserve fund shall consist of the following:

- (a) All earnings of the public school permanent endowment fund;
- (b) Proceeds of the sale of timber on public school endowment lands;
- (c) Proceeds of leases of public school endowment lands;
- (d) Proceeds of interest charged upon deferred payments on public school endowment lands or timber on those lands;

- (e) Earnings on contracts for the sale of timber and the sale of lands related to the public school endowment; and
  - (f) All other proceeds received from the use of public school endowment lands and not otherwise designated for deposit in the public school permanent endowment fund.
- (2) Moneys shall be distributed out of the public school earnings reserve fund only to support the beneficiaries of the public school endowment, including distributions by the state board of land commissioners to the public school permanent endowment fund and the public school income fund; provided, that funds shall not be appropriated by the legislature from the public school earnings reserve fund except to pay for administrative costs incurred managing the assets of the public school endowment including, but not limited to, real property and monetary assets.

### **33-903 – PUBLIC SCHOOL INCOME FUND**

- (1) The public school income fund is that fund in the treasury of the state of Idaho to which are credited the following:
- (a) Moneys distributed from the public school earnings reserve fund and other sources the legislature deems appropriate;
  - (b) Proceeds of all state taxes levied for public school purposes;
  - (c) Grants of moneys from the federal government for public school purposes when other disposition is not specified by law;
  - (d) Ninety percent (90%) of any moneys received by any department of state government from the federal government from sales, royalties, bonuses or rentals of oil, gas or mineral lands;
  - (e) Legislative appropriations in support of the public schools, and other moneys required by the law of the federal government or of the state of Idaho to be made a part of and credited to the fund.
- (2) Earnings on the investment of idle moneys in the public school income fund shall be paid to the public school income fund.
- (3) Moneys in the public school income fund shall be used for the benefit of beneficiaries of the public school endowment and distributed to current beneficiaries of the public school endowment pursuant to legislative appropriation.

### **57-1201 – DISTRIBUTION OF FUNDS TO COUNTIES BY THE STATE TREASURER**

All funds received by the state of Idaho, as its distributive share of the amounts collected by the United States Government under the provisions of the Congress of June 28, 1934 (48 Stat. 1269) known as the Taylor Grazing Act, and any act amendatory thereof, shall be deposited with the state treasurer. Upon receipt of said money, the state treasurer shall distribute the same to the several counties of the state in which grazing districts, or lands producing such moneys are located, by warrant drawn on the state treasurer. The state treasurer, shall, upon the date this act becomes effective, and annually thereafter, ascertain from the proper United States officers having the records of receipt from grazing permits, the amount of receipts from such sources in the state of Idaho for each year for which money is received by the state of Idaho, keep a separate account of the sums received from lands producing such moneys, and apportion the distributive shares of the same among the several counties in which said grazing district is located; and if any such grazing district lies in more than one county of the state, each such county shall receive such proportionate amount of said sum as the area of said grazing district included within the boundary of such county shall bear to the total area of such grazing district.

#### **57-1202 – DEPOSIT OF FUNDS WITH COUNTY TREASURER - GRAZING DISTRICT TREASURER - WARRANTS AGAINST FUND**

All money paid to the county or counties in which such grazing district lies, shall be deposited with the county treasurer. The grazing district board of advisors may appoint a grazing district treasurer and the board shall give notice, in writing, to the county treasurer of the appointment. The grazing district board of advisors shall require a bond of the grazing district treasurer and may pay for the same from the fund of the grazing district. The county treasurer shall then pay over to the grazing district treasurer all funds accruing to the grazing district, from time to time, as the county treasurer receives such funds. After payments of the funds to the grazing district treasurer by the county treasurer, the grazing district and the grazing district treasurer shall be liable for such funds and all liability on the part of the state or county or county treasurer shall cease at that time. The grazing district treasurer shall deposit all such funds in a public depository, and shall expend such funds as provided for by law, and shall pay such funds out by checks signed by both the chairman of the board of the district advisors of the district and the district treasurer. In the event the grazing district board of advisors does not appoint a grazing district treasurer the county treasurer of any county in which a grazing district may be located, either in whole, or in part, shall be the ex officio district treasurer of any grazing district located in whole or in part within such county, and shall be liable upon his official bond for all money deposited in fund designated for that purpose. The county treasurer, as ex officio grazing district treasurer shall pay out such money in said fund upon the warrant of the grazing district located in whole, or in part, in his county, signed by the chairman of the board of district advisors of such grazing district and countersigned by the vice chairman. All moneys paid to any county having lands producing such moneys and not within a grazing district, shall be deposited with the county treasurer in a special fund to be known as "Range Improvement Fund" and expended by the board of county commissioners upon warrants for range improvements and maintenance, predatory animal control, rodent control, poisonous or noxious weed extermination or for any similar purpose in cooperation with the federal government or local livestock men's organizations.

#### **57-1301 – APPORTIONMENT OF FOREST RESERVE FUNDS**

It shall be the duty of the state treasurer to receive any and all moneys paid or offered to be paid to him as such treasurer by the treasurer of the United States on account of the moneys received from such forest reserves, under and by virtue of the Act of Congress of June 30, 1906, and to keep a separate account of the sums received from each reserve, and to apportion the distributive shares of the same among the several counties in which such forest reserves are situated in proportion to the area of such reserve in such county, and to pay the same over to the several county treasurers of such counties as soon after the same is received as such apportionment can be made.

#### **57-1303 – COUNTY APPORTIONMENT OF FOREST RESERVE FUNDS**

The auditor of each county receiving a portion of this fund shall within ten (10) days of receipt of this money allot and distribute seventy percent (70%) of this money to the county general road fund and to the treasurer of the highway districts and good road districts in the county in proportion to the mileage of each within the county, to be expended for the construction and repair of roads and bridges, and thirty percent (30%) to the various school districts and joint

county school districts within the county in proportion to the number of pupils in average daily attendance in each district in the year immediately prior to this distribution. The distribution of such moneys to the respective school districts entitled thereto shall be in addition to and without regard to any assistance to such school districts from any and all other sources in maintaining the minimum educational program and minimum transportation program.

#### **57-1306 – IMPACT FUNDS**

(1) (a) Upon receipt of any moneys from the federal government from sales, royalties, bonuses or rentals of oil, gas or mineral lands of the federal government, the state treasurer shall remit ten percent (10%) of such receipts to the general fund of the several counties from which the resources were extracted. The state treasurer shall compute a particular county's share of such receipts by computing the proportion of the moneys generated by sales, royalties, bonuses or rentals of federal lands situated within that particular county to the total of moneys received from the federal government from sales, royalties, bonuses or rentals of all oil, gas or mineral lands of the federal government within the state of Idaho for the same period. The moneys remitted to the various counties according to the provisions of this section shall be used for the construction and maintenance of public roads or for the support of public schools.

(b) The remaining ninety percent (90%) of any moneys received from the federal government from sales, royalties, bonuses or rentals of oil, gas or mineral lands of the federal government shall be deposited into the public school income fund, pursuant to the provisions of section 33-903, Idaho Code.

(2) (a) The state treasurer shall remit ten percent (10%) of any moneys received from the sale, royalties, bonuses or rental of renewable energy resources on lands of the federal government to the general fund of the several counties from which the resources were developed. The state treasurer shall compute a particular county's share of such receipts by computing the proportion of the moneys generated by sales, royalties, bonuses or rentals of federal lands situated within that particular county to the total of moneys received from the federal government from sales, royalties, bonuses or rentals of all renewable energy resource lands of the federal government within the state of Idaho for the same period. The moneys remitted to the various counties according to the provisions of this section shall be used for the construction and maintenance of public roads or for the support of public schools.

(b) The remaining ninety percent (90%) of any moneys received from the sale, royalties, bonuses or rental of renewable energy resources on lands of the federal government shall be deposited by the state treasurer into the renewable energy resources fund which is hereby created. Any interest earned on the investment of idle moneys in the renewable energy resources fund shall be returned to the fund. Moneys in the renewable energy resources fund may be expended pursuant to appropriation and may be used by the administrator of the office of energy resources consistent with duties, powers and authorities of the office.

#### **57-1307 – DISTRIBUTION OF REVENUES**

All moneys received by the state treasurer under the provisions of chapter 12 and chapter 13, title 57, Idaho Code, for transmittal to other units or departments of government shall be expeditiously paid to the units or departments as soon as distribution information is received

from the appropriate agency of the federal government. To accomplish expeditious payment the division of financial management and the state controller shall immediately carry out their duties.

If a payment under the provisions of chapter 12 or chapter 13, title 57, Idaho Code, has been made in error to other units or departments due to erroneous information received from the appropriate agency of the federal government or due to any other reason, the state treasurer shall either make the necessary adjustments in the next distribution to said units or department, or shall expeditiously demand refunds from those units or departments which were overpaid and such units or departments shall pay such refunds expeditiously to the state treasurer.